
A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013



A Professional Accounting Corporation

www.pncpa.com

A SHARED INITIATIVE, INC.

HARAHAN, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of
A Shared Initiative, Inc.
Harahan, Louisiana:

Report on the Financial Statements

We have audited the accompanying statements of financial position of A Shared Initiative, Inc. (a nonprofit organization) ("ASII") as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Shared Initiative, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of ASII's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASII's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Metairie, Louisiana
June 30, 2015



A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 277,942	\$ 257,924
Cash and cash equivalents, restricted	1,102,737	1,530,562
Accounts receivable	-	24,000
Loans receivable, net of allowance, restricted	1,903,380	1,549,690
Total current assets	<u>3,284,059</u>	<u>3,362,176</u>
 Premises and equipment - net	 <u>741,942</u>	 <u>775,569</u>
 Total assets	 <u>\$ 4,026,001</u>	 <u>\$ 4,137,745</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 232,555	\$ 180,147
Current maturities of long-term debt	9,802	8,998
Total current liabilities	<u>242,357</u>	<u>189,145</u>
 Long-term debt less current maturities	 <u>146,471</u>	 <u>156,799</u>
 Total liabilities	 <u>388,828</u>	 <u>345,944</u>
 Net assets		
Unrestricted	631,056	711,549
Temporarily restricted	3,006,117	3,080,252
 Total net assets	 <u>3,637,173</u>	 <u>3,791,801</u>
 Total liabilities and net assets	 <u>\$ 4,026,001</u>	 <u>\$ 4,137,745</u>

The accompanying notes are an integral part of these financial statements.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$ 26,834	\$ 344,134	\$ -	\$ 370,968	\$ 67,057	\$ 495,886	\$ -	\$ 562,943
Interest income	13,154	120,845	-	133,999	18,102	110,797	-	128,899
Rental income	28,748	-	-	28,748	19,542	-	-	19,542
Homebuyer education class	24,432	-	-	24,432	20,891	-	-	20,891
Miscellaneous	40	-	-	40	(663)	-	-	(663)
Subtotal	93,208	464,979	-	558,187	124,929	606,683	-	731,612
Net assets released from restrictions	539,114	(539,114)	-	-	161,607	(161,607)	-	-
Total support and revenue	632,322	(74,135)	-	558,187	286,536	445,076	-	731,612
Expenses:								
Bad debt expense	428,658	-	-	428,658	37,027	-	-	37,027
Convention and meeting expense	6,269	-	-	6,269	1,332	-	-	1,332
Depreciation	33,627	-	-	33,627	33,627	-	-	33,627
Dues	1,833	-	-	1,833	6,858	-	-	6,858
Insurance - nonemployee	3,893	-	-	3,893	1,721	-	-	1,721
Interest	10,564	-	-	10,564	11,489	-	-	11,489
Miscellaneous	79	-	-	79	15	-	-	15
Postage and delivery	14	-	-	14	135	-	-	135
Professional service fees	13,866	-	-	13,866	9,060	-	-	9,060
Property maintenance	13,483	-	-	13,483	17,737	-	-	17,737
Salaries and related expenses	175,749	-	-	175,749	194,230	-	-	194,230
Supplies and materials	6,242	-	-	6,242	7,266	-	-	7,266
Travel	2,115	-	-	2,115	1,149	-	-	1,149
Utilities	16,423	-	-	16,423	13,566	-	-	13,566
Total expenses	712,815	-	-	712,815	335,212	-	-	335,212
	(80,493)	(74,135)	-	(154,628)	(48,676)	445,076	-	396,400
Net assets at beginning of year	711,549	3,080,252	-	3,791,801	760,225	2,635,176	-	3,395,401
Net assets at end of year	\$ 631,056	\$ 3,006,117	\$ -	\$ 3,637,173	\$ 711,549	\$ 3,080,252	\$ -	\$ 3,791,801

The accompanying notes are an integral part of these financial statements.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (154,628)	\$ 396,400
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	428,658	37,027
Depreciation	33,627	33,627
Changes in operating assets and liabilities:		
Decrease in contributions receivable	24,000	41,208
Increase in loans receivable	(782,348)	(658,450)
Increase (decrease) in accounts payable	52,408	(31,421)
Net cash used in operating activities	<u>(398,283)</u>	<u>(181,609)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on notes payable	<u>(9,524)</u>	<u>(8,600)</u>
Net cash used in financing activities	<u>(9,524)</u>	<u>(8,600)</u>
Net decrease in cash and cash equivalents	<u>(407,807)</u>	<u>(190,209)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,788,486</u>	<u>1,978,695</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,380,679</u>	<u>\$ 1,788,486</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 10,564</u>	<u>\$ 11,489</u>
<u>CASH AND CASH EQUIVALENTS AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents, unrestricted	\$ 277,942	\$ 257,924
Cash and cash equivalents, restricted	1,102,737	1,530,562
Cash and cash equivalents, total	<u>\$ 1,380,679</u>	<u>\$ 1,788,486</u>

The accompanying notes are an integral part of these financial statements.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

History and Organization

A Shared Initiative, Inc. ("ASII") is a non-profit organization with a mission of aiding in the rebuilding efforts of families and communities in post-Katrina New Orleans. ASII was originally formed as the non-profit affiliate of ASI Federal Credit Union, a low-income designated Community Development Financial Institution (CDFI). The Credit Union's vision to eliminate poverty is augmented by the financial literacy, lending, and community development efforts of the nonprofit, which exists as a legally-separate 501(c)(3) entity.

Financial Statement Presentation

The financial statements of ASII are presented on the accrual basis of accounting. Financial presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-205, *Not for Profit Entities Presentation of Financial Statements*. Under ASC 958-205, ASII is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ASII and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of ASII pursuant to those stipulations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash demand deposits. Cash amounts of \$1,102,737 and \$1,530,562 at December 31, 2014 and 2013 are restricted for use in the Revolving Capital Fund.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Loans Receivable

ASII grants mortgage, consumer and business loans to applicants. A substantial portion of the loan portfolio is represented by loans primarily to borrowers located in the New Orleans MSA. The ability of the borrowers to honor their contracts is dependent upon the real estate and general economic conditions in this area, as well as the financial condition of the employers in the area.

Loans that ASII has the intent and ability to hold for the foreseeable future are stated at unpaid principal balance, plus accrued interest, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. At December 31, 2014, interest rates on loans receivable range between 6% and 15%. Loan terms range from 10 months to 238 months.

The accrual of interest is discontinued at the time when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of principal or interest is considered doubtful. Past due status is based on the contractual terms of the loan.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual loan accounts. ASII generally fully or partially charges down to the fair value of collateral securing the asset, if any, when (1) management judges the asset to be uncollectible; (2) repayment is deemed to be protracted beyond reasonable time frames; (3) the asset has been classified as a loss by ASII's internal loan review process; (4) the borrower has filed bankruptcy and the loss becomes evident owing to a lack of assets; or (5) the loan is past due 120 days unless both well secured and in the process of collection. At December 31, 2014 and 2013, the allowance for doubtful accounts is \$395,643 and \$18,963, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a useful life of 30 years (building) and 7 years (furniture and equipment). Depreciation expense for 2014 and 2013 is \$33,627 and \$33,627, respectively.

Income Taxes

ASII is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ASII may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ASII and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2014 or 2013.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Property and Equipment, net

Property and equipment at December 31, 2014 and 2013 consists of the following:

	2014	2013
Building and improvements	\$ 915,888	\$ 915,888
Furniture and equipment	15,633	15,633
	<u>931,521</u>	<u>931,521</u>
Less: accumulated depreciation	(189,579)	(155,952)
Property and equipment, net	<u>\$ 741,942</u>	<u>\$ 775,569</u>

3. Long-Term Debt

On May 24, 2007, ASII entered into a note payable agreement with ASI Federal Credit Union (ASIFCU) in the amount of \$220,000. The note payable bears 6.75% simple interest rate per annum and is secured by the property and equipment. The maturity date for the note is May 24, 2026.

Maturities for long-term debt for the next five years and thereafter are:

2015	\$ 9,802
2016	10,485
2017	11,214
2018	11,996
2019	12,831
Thereafter	<u>99,945</u>
	<u>\$ 156,273</u>

4. Related Party Transactions

As discussed in Note 3, ASII entered into a note payable agreement with ASI Federal Credit Union (ASIFCU). ASII reimburses ASIFCU for management and support services provided by the Credit Union. Salaries and related expenses provided by ASIFCU totaled \$175,749 and \$194,230 for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, included in accounts payable is \$227,143 and \$177,603, respectively, due to ASIFCU.

At December 31, 2014, cash and cash equivalents were maintained on deposit with ASIFCU.

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. Revolving Capital Fund

At December 31, 2014 and 2013, loans receivable, restricted consists of the following:

	<u>2014</u>	<u>2013</u>
Loans receivable	\$ 2,299,023	\$ 1,568,653
Allowance for loan loss	<u>(395,643)</u>	<u>(18,963)</u>
Loans receivable, net of allowance	<u>\$ 1,903,380</u>	<u>\$ 1,549,690</u>

An analysis of the change in the allowance for loan losses, which substantially applies to loans, at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 18,963	\$ -
Provision for loan losses	428,658	37,027
Loans charged-off	<u>(51,978)</u>	<u>(18,064)</u>
Balance at end of year	<u>\$ 395,643</u>	<u>\$ 18,963</u>

During the year ended December 31, 2014 and 2013, ASIFCU transferred to ASII \$344,134 and \$495,886, respectively, of grant funds to the Revolving Capital Fund. The transfer of funds was approved by the Louisiana Recovery Authority, the Louisiana Economic Development (LED) as well as the Boards of Directors of ASII and ASIFCU. ASII has an agreement with the LED which provides the requirements of the loan fund. Additions to the revolving loan fund during the years ended December 31, 2014 and 2013 were \$120,845 and \$110,797, respectively, of interest income from borrowers. At December 31, 2014 and 2013, included in cash and cash equivalents are \$1,102,737 and \$1,530,562, respectively, for the Revolving Capital Fund. During the years ended December 31, 2014 and 2013 included on the statements of activities and changes in net assets were net assets released from restrictions of \$539,114 and \$161,607, respectively, representing net administrative fees earned by ASII from the Revolving Capital Fund and bad debt expense.

6. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2015, and determined that following item required disclosure.

Between January 1, 2015 and the report date, ASIFCU transferred an additional \$23,935 to ASII to fund the revolving loan fund.

SUPPLEMENTAL SCHEDULE

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2014

AGENCY HEAD NAME: Mignon Tourne, CEO

Purpose	Amount
Salary	-
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Phone allowance	-
Unvouchered expenses*	-
Special meals	-

Note: The Agency Head is an employee of and the CEO of ASI Federal Credit Union (ASIFCU), a related party. The salary and benefits of the CEO are funded by ASIFCU and not ASIL.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors and Officers of
A Shared Initiative, Inc.
Harahan, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of A Shared Initiative, Inc. (ASII), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASII's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ASII's internal control. Accordingly, we do not express an opinion on the effectiveness of ASII's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Item 2014-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASII's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

ASII's Response to Findings

ASII's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. ASII's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Netterville

Metairie, Louisiana
June 30, 2015

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

SUMMARY OF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2014

(1) Summary of Results

- (a) The type of report issued on the financial statements: Independent Auditors' Report
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements:
yes Material weaknesses: n/a
- (c) Noncompliance which is material to the financial statements: None reported
- (d) Management letter comments issued: None reported

A SHARED INITIATIVE, INC.
HARAHAN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

Year ended December 31, 2014

(2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*

Finding 2014-01: Internal Controls over Loan process

Criteria: The loan underwriting process should ensure adequate segregation of duties, loan file documentation, and approvals for loans made.

Condition: Customers, on a sample of loans, were not making payments timely and were unable to fulfill the requirement to repay the loan. ASII had a significant increase in delinquent and uncollectable loans during the 2014 year.

Cause: In some cases, ASII did not have adequate collateral or documentation to pursue additional collection efforts.

Effect: ASII recorded bad expense of \$428,658 during the year ended December 31, 2014 as a result of the assessment performed after year end of the allowance for loan loss.

Recommendation: Management should review the internal controls over the underwriting process for improvement opportunities relating to segregation of duties and for loan file documentation. Management should also assess the loan portfolio throughout the year and adjust the allowance for doubtful accounts based on collection history throughout the year.

Management's Response
corrective actions: Management concurs with recommendation, has reassigned personnel duties and is working to resolve in the current year.